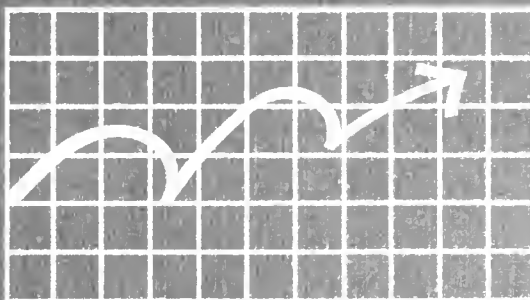


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MONTANA ECONOMIC DEVELOPMENT BOARD  
ANNUAL REPORT  
JUNE 30, 1986  
MONTANA DEPARTMENT OF COMMERCE

PLEASE RETURN



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## MEDB ISSUES

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### A. Coal Tax Loan Program

#### 1) Meeting Legislative Goals

The Montana Economic Development Board has two legislative directives to consider when choosing investments for the Montana In-State Investment Fund. The first is to choose investments that develop a stable, strong and diversified economy that meets the needs of Montana residents both now and in the future. Second, the MEDB is to calculate a rate of return that considers the long-term benefit of an investment to the Montana economy. To meet these directives, the Board uses a combination of assumptions and calculations.

A fundamental assumption of the Board is that a strong economy is a growing economy. To achieve the greatest impact on Montana's economy, the Board's policy has been to invest in basic-sector businesses that strengthen the state's economic base and at the same time create jobs in secondary industries. Unemployment can be reduced and the state and federal governments' tax base can be increased.

Encouraging a stable economy can be as simple as investing in a business that is not affected by business cycles, or it can be a more complicated process. As of June 30, 1986, the Board had funded or committed 43 loans to businesses considered stable and 17 loans to non-stable businesses.

One attribute of a stable economy is its diversity. An economy that encompasses a cross section of industries is better able to weather economic storms than an economy that is dependent on one or two major industries. It is the Board's intent to invest in a variety of businesses.

The rate of return is calculated by taking into consideration loan repayments and additional tax revenues and fees expected to be paid to the state and local governments in the form of property taxes, personal income taxes, fuel taxes, license fees and other miscellaneous fees and taxes. For a recap of the Board's progress toward its' legislative goals, refer to Appendix B.

The Board's rate of return calculation and its criteria to evaluate an investment's potential to stabilize, strengthen and diversify the economy are subjective and have not been legislatively defined. The Board sees a need to refine or redefine its total long-term economic benefit analysis measurements and has requested \$7,500 during fiscal 1988 to contract with appropriate experts in this field. It is also expected that consultants will recommend a procedure for



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## BOARD & STAFF

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G. Steven Brown\*\*  
Helena

Karen K. Locke\*\*\*  
Eureka

John C. Orth\*\*  
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Jeremiah R. Sullivan\*  
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As of June 30, 1986

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Terry A. Spalinger, Loan Officer

David Ewer, Bond Program Manager

Jan Kalgaard, CPA

Jeannie A. Farmer, Administrative Assistant

Debra L. McKee, Secretary

\* Term expires January 1, 1987

\*\* Term expires January 2, 1989

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## MEDB ISSUES

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### A. Coal Tax Loan Program

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incorporating the long-term benefit calculation more closely into the investment decision-making process.

## 2) SBA 504 Program

During the year, the Board relaxed eligibility requirements for one of its Coal Tax Loan Programs, the SBA 504 Loan Participation Program. Any project which qualifies for SBA 504 funding may also qualify for participation by the Board, subject to strict underwriting criteria maintained by the Board.

The SBA 504 Program structure involves second mortgage financing provided by the U.S. Small Business Administration and a private Certified Development Company approved by the SBA. The Board participates (up to 80%) in a first mortgage loan originated by one of the Board's approved financial institutions. Together, the two sources of funding may provide up to 90% of the total financing package for the purchase of land, buildings and equipment.

The Board did commit a loan approval under this program during the year for a project that, coincidentally, met the basic industry qualification maintained by the Board for all of its other Coal Tax Loan Programs. As with all of its investment decisions, the Board considers the long-term benefit of participants in the SBA 504 Program and the project's potential to preserve or create jobs in the community.

## **B. Report to the Legislature on Potential Uses of the Coal Tax Trust Fund**

The MEDB recently completed an update of the 1985 report to the Legislature regarding potential uses of the Coal Tax Trust Fund. A brief summary of the report follows.

The statutorily defined purpose of the trust is to: (1) "compensate future generations for the loss of a valuable and depletable resource and to meet any economic, social, and environmental impacts caused by coal development not otherwise provided for by other coal sources;" and (2) "develop a stable, strong and diversified economy which meets the needs of Montana residents both now and in the future while maintaining and improving a clean and healthful environment."

In its 1985 report, the MEDB identified four key issues that it felt merited further public exploration and debate:

1. The steady erosion of the purchasing power of trust deposits, a problem exacerbated by the increasing reliance being placed on trust fund interest and income to support the state's general fund. (In fiscal 1986, 9.3 percent of the general fund, or \$32.4 million, came from coal trust investment earnings. In 1978, only 0.09 percent of the

general fund was derived from trust earnings; and in 1982 it was still only 3.6 percent.)

2. The narrow range of management options available to the fund's trustees (the Board of Investments and the MEDB);

3. The relatively limited use of the trust for in-state investments; and

4. The lack of criteria and procedures for objectively evaluating proposals for appropriation of all or a portion of the trust's principal.

In its current report, the MEDB finds that all four issues remain at least partially unaddressed, and that two (purchasing power and principal appropriation) have been rendered even more critical as a result of the events of the last two years. These events include sharp declines in interest rates, falling world oil prices and decreased coal sales (resulting in smaller new deposits to the trust) and together producing the overall state revenue shortfalls.

According to the MEDB's projections, the \$245.5 million deposited in the trust from 1978 through 1985 will have lost \$127.5 million in purchasing power by the year 2000, or 50.4 percent of the total value of those eight years' deposits. As the MEDB points out, "If the principal of the coal tax trust fund does not increase substantially, future earnings will be inadequate to maintain the trust's current proportional share of the revenue needed to meet escalating general fund demands."

The report suggests that there are two ways to increase earnings capacity. One is to increase deposits to the trust principal, through increased coal sales, increased severance taxes or reduced tax credits, increased redeposit amounts or through the addition to the principal of capital gains on bond swaps. The second is by increasing the rate of return on deposits, either by diversifying the investments in the trust portfolio within current limitations or by making equity investments with trust funds (an action which would require a constitutional amendment).

To date there has been only one source of appropriation from the coal trust's principal, an action of the legislature that allows trust resources to be used to cover shortfalls in the state's coal severance tax bonds issued by the Department of Natural Resources and Conservation to finance various water development projects. Because almost all bonds issued have contained substantial interest write-downs for borrowers during the first five years of the bond term, the current drawdown from the trust to cover the difference on bonds already issued is projected by the Office of Budget and Program Planning to total approximately \$547,000 per year for the remainder of the decade.

Although the creators of the trust provided a mechanism (a three-quarters vote of both houses of the legislature) through which all or a portion of the trust principal could be appropriated, they (the voters and the legislature) provided no definition of what would constitute a proper justification for such appropriation. The MEDB has suggested some criteria worth further consideration:

1. The body of the trust should never be appropriated (or borrowed) for use in meeting general government expenses. These are the proper responsibility of the current generation and should not be subsidized to the detriment of the future.

2. Whenever possible, amounts appropriated from the trust should be replaced, with interest, at some future time. This means that expenditures from the trust preferably should be for revenue-generating purposes.

3. Amounts, not otherwise available, that are needed to mitigate the impacts of coal development (or mine closures) are statutorily eligible to be appropriated from the principal.

4. No appropriation should be made unless the identified need has been thoroughly documented, studied and found to be "compelling," with no other financial resources available. Representatives of the trust's beneficiaries should be involved in the evaluation and their findings made public.

5. The benefits to be gained through the appropriation must outweigh both the losses in earnings that will result and the negative impact of those losses on activities supported with trust earnings. Expected economic development benefits should be clearly defined and, if possible, quantified prior to appropriation and should be closely monitored and evaluated thereafter.

6. Programs or activities undertaken with appropriated trust funds must have long-term value to the state, helping correct structural or systemic imbalances in the economy, for instance, rather than dealing solely with short-range cyclical problems.

7. Insofar as possible, benefits accruing from trust appropriations should inure to all citizens, not just to particular industries, geographic areas or interest groups.

In its report the MEDB analyzes all the proposals for use of the coal trust principal that were proposed or considered during the June 1986, special session of the legislature and finds that none of them would have satisfied the above criteria.

Copies of the "Potential Uses of the Coal Tax Trust Fund" report can be obtained by writing the MEDB's office at 1520 East Sixth Avenue, Room 50, Helena, Montana 59620-0505, or by calling 444-2090.

### **C. Friendly Lawsuit - Using the Montana In-State Investment Fund to Guaranty Loans**

The 1985 report to the Legislature on potential uses of the Coal Tax Trust Fund raised as a policy question the subject of having the fund guaranty investments such as industrial revenue bonds. Guaranties of this type may resolve one of the most significant conflicts in the objectives of the Coal Tax Trust Fund: maximizing the yield on the trust to preserve its purchasing power vs. making investments that foster a stable, strong and diversified Montana economy.

On March 12, 1986, a friendly lawsuit, John L. Hollow vs. State of Montana, the Montana Economic Development Board, et al, was filed to determine the constitutionality of using the Montana In-State Investment Fund (MISIF) to guaranty investments. The Supreme Court, in its decision of August 8, 1986, held that a guaranty program was unconstitutional on three grounds. One, the program violated the provision stating that taxes can only be levied for public purposes and that, in effect, the levy of the coal severance tax and the use of the tax to guaranty loans to private parties was a private not public purpose. Two, the program violated the provision that prohibited the appropriation of public funds for the benefit of a private corporation. And finally, the court held that the program violated the unified investment program, although it did not explain the violation.

The court decision did not impact any of the Board's programs because no investment guaranties were made prior to the lawsuit decision. The court's decision also will not affect the Board's ability to continue to issue moral obligation bonds. The court maintained that it is appropriate for the MEDB to invest in the Montana In-State Investment Fund but not to guaranty investments for private purpose.

### **D. Federal Tax Reform - Impact on the Board's Bonding Programs**

#### **1) Impact on Pooled and Stand-Alone IDBs**

President Reagan signed the federal tax reform bill in October 1986. While the full impact of the law will not be known for some time, its effects have already had a serious impact on the Board's programs.

The new law eliminates the eligibility of tax-exempt financing to non-manufacturers after December 31, 1986. Several prospective users of the MEDB's industrial revenue bond programs withdrew their applications because of this time constraint.

The MEDB's Pooled Industrial Revenue Bond Program was designed specifically to finance projects not eligible under the Coal Tax Loan Program. The IDB Program as it is now structured has been effectively eliminated by the new tax law.

Federal legislation created a void in the Board's programs for the financing of non-manufacturing projects. Consequently, the Board plans to research, develop, and if feasible, implement a taxable IDB Program for non-manufacturing projects.

The Board can still issue tax-exempt IDBs for manufacturing projects through December 31, 1989. Since manufacturing projects of up to \$1 million are eligible under the Coal Tax Loan Program, only very large manufacturing projects of \$1 million or more are likely to be financed through industrial revenue bonds.

The Board used approximately \$55,000 of its \$150,000 general fund loan during the 1985 biennium to start up the IDB Program. Last year, Board fees were approximately equal to program expenses, thus it will be unable to generate excess funds for loan repayment due in September 1987. Consequently, the Board needs a loan extension in order to use the remaining funds to pursue a taxable IDB Program.

## 2) Impact on Montana Cash Anticipation Financing Program

The Montana Cash Anticipation Financing Program must also be redesigned because of the federal tax reform bill passed during October 1986. That bill requires that all arbitrage earnings be rebated to the U.S. Treasury instead of being retained by the issuer.

Because the Board was aware of the impending arbitrage restrictions, it designed the 1986 MCAF bond issue as a two-year program, which allows the board to continue providing tax anticipation financing to participating governments while searching for new ways to redesign the program.

## E. **Other Areas of Investment**

### 1) Venture Capital

The Montana Capital Company Act created a program to encourage investment in venture capital companies by offering tax credit incentives. The venture capital companies, called Montana capital companies (MCCs), in turn invest their available funds in projects that generally involve higher risk than do projects financed by more conventional means.

The capital companies have experienced some difficulty in raising funds and evaluating possible investment opportunities. An additional obstacle is that June 30, 1987, is the last day investors in MCCs are eligible for tax credits. The Development Corporation of Montana has informed the MEDB that it intends to support the following changes to the Montana Capital Company Act:

1. extend the deadline for tax credits from June 30, 1987, to June 30, 1989;

2. increase the tax credit percentage from 25 percent to at least 50 percent; and increase the maximum actual tax credits per taxpayer from \$25,000 to \$50,000.

3. increase the amount of authorized credits from \$2 million to \$3 million;

4. raise the amount of tax credits authorized for a single company from \$375,000 to \$1,500,000; and

5. allow MCCs to invest outside of Montana where the investor, in turn, agrees to invest their funds in Montana.

The Board developed rules to allow for the purchase of debentures from qualified Montana capital companies but has not yet made any such investments pending legislative clarification of their consistency with the prudent expert rule. Montana capital companies would be providing venture and risk capital to Montana business with the inherent risks involved. The debentures purchased by the Board will be unsecured and may be subordinated to other indebtedness of the company.

## 2) Business Incubators

Cities and other public entities see incubators as a strategy to foster new business that could be integrated with other business assistance programs. The Board has been asked about expanding its eligibility requirements to allow financing of business incubators, but thinks that legislative direction is needed first.

## F. The Board's Role in Agriculture

Agriculture is an important basic sector activity in Montana and is eligible for funding under the Board's Coal Tax Loan Program. It appears that the legislature intended for the MEDB to consider loan proposals for value-added agriculture projects because they are listed as deserving a preference when sufficient funds are not available for all projects before the Board.

The MEDB, however, has several concerns about investing in the agricultural sector. The primary concern is the expertise required to evaluate a loan for an operating farm or ranch. Only one of the Board's seven members has an agricultural background and the MEDB staff doing credit analysis and recommending projects to the board also have limited backgrounds in agricultural credit. As a result, the board is not confident that it can make a prudent investment decision. The Board, however, with limited outside help, can evaluate a value-added project such as a feed lot or beef processing plant. The farm and ranch loans in the coal tax loan portfolio, on the other hand, are all federally guaranteed, present no risk to the Board and do not require credit analysis on the part of the Board.

The Board is also concerned about duplicating services or providing a service that is the responsibility of another agency. Clearly, the Department of Agriculture has the expertise to evaluate loans for operating farms or ranches through a program operating under the Montana Agriculture Loan Authority whose board is made up of people with expertise in operating farms and ranches.

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## STATUS AND ACTIVITIES - JULY 1, 1985, TO JUNE 30, 1986

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### A. General Information

#### 1) Approved Lenders

The Board approved 11 additional financial institutions during fiscal 1986 bringing the total number to 81 (See Appendix A). The Board's most active financial institutions during the year were Ronan State Bank (7 applications), First National Bank of Bozeman (5 applications), Valley Bank of Belgrade (3 applications) and First Security Bank of Missoula (3 applications). The Development Corporation of Montana is an approved lender and was the first Montana capital company to submit an application for a Montana borrower under any of the Board's programs.

#### 2) New Office

During December 1985, the MEDB moved into the new Lee Metcalf Building at 1520 East Sixth Avenue, Room 50. This move has given the Board's staff sufficient space to conduct its business. The move and modular office furniture required however, caused an unbudgeted, substantial drain on the Board's operating funds. As a result, the deputy administrator position was left vacant for the majority of the year to allow for the necessary increased equipment purchases and other related expenses.

### B. Coal Tax Loan Program

During fiscal 1986, the Board received 55 applications compared to 26 applications in fiscal 1985. In addition, the Board committed 43 loans for \$12.7 million and responded to 389 mail inquiries about the Coal Tax Loan Program (phone inquiries are not monitored). The increased activity results from a greater awareness of the Board's programs and falling interest rates. The Board expects the program to remain active with modest increases during fiscal 1987.

The Board funded 36 loans for \$10.3 million and had 15 commitments outstanding at year end. A schedule of loans funded or committed at year end is available in Appendix B. The Board also had four loans in process on June 30, 1986.

The Board monitors the industrial make-up of its investments on a monthly basis because the Board does not want a heavy concentration in any one industry. Appendix B shows that it has succeeded in its efforts to date, bearing in mind that the summary is reported by economic sectors, not individual industries. For example, the

manufacturing economic sector contains a large number of individual industries.

1) Return on Board Investments

a. Return on Board Loans

To date, the Board has funded 46 coal tax loans with a June 30, 1986, outstanding balance of \$13.1 million. The Board's interest rates range from 6.19 percent to 11.47 percent with an average rate of 8.78 percent. The interest earned on these loans is divided 85 percent to the general fund and 15 percent to the trust fund. The Montana In-State Investment Fund received \$111,778 in interest and the general fund received \$633,533.

The Board calculates an estimated economic return to the state on all loans. This return includes additional real and personal income taxes, license fees and any other state and local tax revenues created or retained as a result of the project. To calculate the return to the state the interest received on the loan plus the additional revenues are divided by the principal of the loan. The rates range from 6.43 percent to 23.47 percent.

Actual interest rates and estimated return to the state are listed in Appendix B, Exhibits 2 and 3. A more detailed explanation of the calculation is available at the Board's office in Helena.

b. Short Term Investment Pool

All available assets of the bond fund and the Montana In-State Investment Fund (MISIF) are invested in the Short-Term Investment Pool (STIP) until they are loaned out to Montana borrowers. The Board's investment in STIP is recapped below:

\$17,958,577	Beginning Balance 7/1/85
12,426,992	Purchase of STIP
<u>10,902,419</u>	Sale of STIP
 \$19,483,150	 Ending Balance 6/30/86

The ending balance of STIP consists of 20,463 units at an average cost of \$952.12/unit. The market value of STIP at June 30, 1986, was \$970.17/unit or \$19,852,589.

The Board averaged \$19.6 million in STIP and received an average yield of 8.14 percent. Fifteen percent of the interest earnings are deposited into the MISIF to replace the

funds used by the Department of Natural Resources and Conservation Water Bond Program. The remaining 85 percent of the interest earned is deposited to the general fund as appropriated by the Legislature. The MISIF received \$239,387 in interest and the general fund received \$1,356,527.

c. Overall Portfolio Yield

The Board's entire portfolio consists of its investment of the Bond Fund (in STIP) and the Montana In-State Investment Fund (loans plus STIP). The blended yield calculation of the portfolio at year end is a weighted average of \$19.5 million of STIP at 8.14 percent and \$13.1 million of loans at 8.78 percent. The overall portfolio blended yield at year end was 8.40 percent.

2) Loan Loss Reserve Fund

The Loan Loss Reserve (LLR) Fund was created to protect the MISIF from losses resulting from a loan default. The Board is currently depositing all coal tax loan application fees and .25 percent of the interest received on all loan repayments to the LLR Fund. The Board believes that the law change for the interest calculation was drafted incorrectly, with the original intent being 2.5 percent of the interest received to be deposited to the LLR Fund--not .25 percent. The result is that the Board deposited \$1,868 in interest earnings to the LLR Fund instead of \$18,679. Because the Board is receiving one-tenth of the necessary funds, the reserve will not build fast enough to protect the MISIF from a loss. The Loan Loss Reserve Fund will reach two percent of the loans "at risk" by the end of 1989, if the law is changed, a margin that the Board believes is prudent.

3) Subsidy for Water Development Bonds

Fifty percent of the coal severance taxes collected are constitutionally dedicated to the permanent coal tax trust fund, which is divided into three funds: the bond fund, the permanent fund and the income fund. The tax revenues are deposited into the bond fund when collected. The taxes in the bond fund flow into the permanent fund and all earnings are held in the income fund until appropriated.

The purpose of the bond fund is to guaranty the principal and interest payments of the Water Development Bonds issued by the Department of Natural Resources and Conservation (DNRC). The DNRC withdrew \$490,614 during the year to pay bondholders. Because the MEDB receives 25 percent of all new revenues deposited to the permanent trust, \$122,653 was withdrawn from the MEDB's share of the coal severance taxes collected.

### **C. Pooled Industrial Development Revenue Bond Program**

The Board issued \$4.925 million in Pooled Industrial Revenue Bonds on October 17, 1985. The bond issue provided the Board with the funds necessary to purchase 12 loans having an estimated total project cost of \$5.4 million. The loans ranged in size from \$76,320 to \$667,800. Series J of the October 1985 bond issue was retired in March 1986 as the borrower chose an alternative source of financing. The loan terms were from 10 to 20 years and the effective fixed borrowing rates ranged from 11.68 percent to 12.30 percent. For a complete recap of the borrowers and bonds issued under this program refer to Appendix C.

### **D. Stand-Alone Industrial Development Revenue Bond Program**

The Board issued \$12.475 million in Stand-Alone IDBs to finance four projects during fiscal 1985. The MEDB is a conduit issuer of these bonds and is not liable in the event of a default. While the board acts in the same capacity as a city or county that issues an industrial revenue bond, the MEDB offers an expertise in this area that local governments cannot match. The MEDB has a full-time bond program manager who oversees the Board's various bond programs. The MEDB can assist IDB users to select underwriters and other financial consultants, as well as help the borrower understand the complexities of financing through industrial revenue bonds. A recap of the funded Stand-Alone projects and the active unfunded projects at June 30, 1986, is available in Appendix D.

### **E. Montana Cash Anticipation Financing Program**

The MEDB issued \$18.575 million in Montana Cash Anticipation Financing (MCAF) bonds on August 27, 1985. The bonds were sold to finance 29 local governments' tax anticipation financing needs from September 1985 until June 30, 1986. The bonds will retire on September 27, 1986. The interest rate on the bonds is 5.5 percent. The average effective interest rate to the local government users was 2.8%. This low rate resulted in a considerable savings to local governments when compared to registering warrants or issuing their own bonds, which would cost between 6 and 10 percent and require more administrative time to manage than the MCAF program.

The Board's MCAF bonds are secured by an irrevocable loan agreement between the MEDB and the Board of Investments. The MEDB received a "MIG-1" rating from Moody's Investor Service on the MCAF bond issue because of the strength of the Board of Investments and its loan agreement.

The Board plans to issue approximately \$28 million in MCAF bonds early in fiscal 1987 to finance the needs of an estimated 38 local governments. The new bond issue will cover fiscal 1987 and 1988.

Refer to Appendix E for a recap of the fiscal 1986 and fiscal 1987 MCAF programs.

#### **F. Intermediate Term Capital Pool**

During fiscal 1986, the Board began developing the Intermediate Term Capital Pool (INTERCAP) Program to finance the intermediate term (five to seven year) capital needs of local governments. The Board plans to pool the borrowing needs of local governments and issue bonds to finance these projects. The cost of issuance will be borne by all users of the pool. Savings to the local governments are expected to be greater than if the local governments sold bonds separately because of reduced issuing costs and lower interest rates available through the INTERCAP Program.

The Board will implement this program during fiscal 1987. It may also suggest a law change to include state agencies as part of the INTERCAP Program.

#### **G. Montana Capital Companies Program**

##### **1) Summary of Investment Activity**

As of June 30, 1986, three qualified capital companies had raised \$2,080,750 in venture capital, with a total of \$1,036,300 in investments eligible for tax credits. To date, \$259,075 in tax credits have been issued or reserved, with \$30,925 being issued or reserved in fiscal 1986.

##### **2) Bank Examiners Audits**

To date, the bank examiners of the Department of Commerce have not performed audits of the Montana capital companies (MCCs). The first deadline for investing "at least 30% of a Montana capital companies base" will occur on March 30, 1987. It is anticipated that the department bank examiners will begin performing audits as those investment deadlines occur for the "qualified" MCCs.

##### **3) Decertification Request**

**Montana Equities Limited Partnership** requested the Montana Economic Development Board to dequalify and decertify its company because of minimal success in attracting limited partners. Decertification was also necessary to remove the audit requirement under the Montana Capital Company Act. Because the MEDB issued no tax credits on behalf of Montana Equities Limited Partnership, the Board voted to decertify the company on June 26, 1986.

#### 4) Status of MCCs

A Montana capital company goes through two steps in the approval process before investors in the capital company are eligible for tax credits. First, it must become "certified" by the Board by submitting an application that proves it is a legal entity. Second, it must raise at least \$200,000 in equity capital before investors are "qualified" for the tax credits.

As of June 30, 1986, three capital companies were qualified (and certified) and four companies were certified. Refer to Appendix F for capital companies and their addresses.

**Development Corporation of Montana** is the most active qualified capital company. The MEDB has issued or reserved \$30,925 in tax credits during fiscal 1986 to investors of the company. It has made investments in two companies totalling \$135,000 during the past year.

**Venture Capital Corporation of Montana** is also a qualified capital company. The MEDB did not issue tax credits to this company during the last year.

**Montana Capital Company** was certified by the MEDB on September 27, 1985, and qualified on January 31, 1986. To date, they have raised \$200,450 in venture capital and no tax credits will be requested on the initial capitalization. The company is considering a public stock issue in order to raise an additional \$2 million in venture capital.

**Great Falls Capital Corporation** was certified on January 31, 1986. It plans to apply for qualification in October 1986. The company is also considering a public stock issue to raise an additional \$500,000 to add to its current base of \$1 million.

**Bitter Root Valley Development Corporation** was certified on September 27, 1985. It is currently raising capital to become qualified.

**First Montana Capital Corporation** was certified in fiscal 1985 and is experiencing limited fund raising success.

**Blaine County Development Corporation** was certified in fiscal 1985. This company is inactive.

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## FUTURE GOALS

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### A. General

1. Redesign and expand the data base/report system to track loan information and demographics.
2. Update design of the current loan tracking system to accommodate future growth in the program.
3. Market programs to borrowers, financial institutions and local governments not using the Board's programs.

### B. Coal Tax Loan Program

1. Process 50-60 applications for \$18 million and service existing loans.
2. Request a change to current law for the Loan Loss Reserve Fund; manage fund to reach 2 percent of loans "at risk."
3. Continue to work with Montana Ambassadors on company relocations and as a technical resource for specialized industries.
4. Review the possibility of expanding eligibility requirements within legislative parameters.
5. Work with the Department of Agriculture to implement a sound, prudent method of analyzing agri-related loans and to better define the types of agricultural loans that should be encouraged by the Board.

### C. Pooled Industrial Development Revenue Bond Program

1. Determine the possibility of taxable bonds to replace non-manufacturing IDBs upon federal sunset of December 31, 1986.

### D. Stand-Alone Industrial Development Revenue Bond Program

1. Continue to administer manufacturing IDBs.
2. Determine the possibilities of taxable bonds to replace non-manufacturing IDBs upon federal sunset on December 31, 1986.

**E. Montana Cash Anticipation Financing Program**

1. Monitor the federal tax reform act, assess the effects on the MCAF program and redesign program.
2. Retire the \$18.575 million bond issue on September 27, 1986.
3. Issue the new MCAF two-year bonds for approximately \$28 million and manage the program.

**F. Intermediate Term Capital Pool Program (INTERCAP)**

1. Complete program design and implement the program.
2. Issue \$5.5 million in INTERCAP bonds to finance 20 municipal projects.
3. Request a law change to include state agencies in the program.

**G. Montana Capital Companies Program**

1. Continue to monitor venture capital investment activities in Montana on a quarterly basis.

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**AUDITOR'S OPINION LETTER  
AND MEDB FINANCIAL STATEMENTS**

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STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-3122

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET  
FINANCIAL-COMPLIANCE AUDITS

JIM PELLEGRINI  
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY



SCOTT A. SEACAT  
LEGISLATIVE AUDITOR

The Legislative Audit Committee  
of the Montana State Legislature:

We have examined the financial statements of the Enterprise Funds and Non-Expendable Trust Funds of the Montana Economic Development Board as of and for the year ended June 30, 1986, as listed in the table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described more fully in Note 1, the financial statements present only the Enterprise Funds and Non-Expendable Trust Funds of the Montana Economic Development Board and are not intended to present fairly the financial position or the results of operations and changes in financial position of the state of Montana in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly the financial position of the Enterprise Funds and Non-Expendable Trust Funds of the Montana Economic Development Board at June 30, 1986, and the results of its operations and the changes in its financial position for the year then ended, in conformity with generally accepted accounting principles, which except for the change, with which we concur, in the reporting format as discussed in Note 1B, have been applied on a basis consistent with that of the preceding year.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett, CPA  
Deputy Legislative Auditor

September 5, 1986



MONTANA ECONOMIC DEVELOPMENT BOARD  
BALANCE SHEET AS OF JUNE 30, 1986  
ENTERPRISE FUNDS

	<u>Municipal Finance</u>	<u>Business Finance</u>
<u>Assets</u>		
Current:		
Cash in Treasury	\$ 5,067	\$ 117,688
Cash with Fiscal Agent	1,891,891	6,396
Interest Receivable	169,732	54,051
Accounts Receivable		768
Notes/Loans Receivable	2,051,000	
Due From Other Funds	793	11,733
Investments	14,679,800	213,200
Capitalized Cost of Issue	72,130	
Prepaid Expenses	6	389
Total Current	<u>18,870,419</u>	<u>404,225</u>
Long Term:		
Notes/Loans Receivable		6,581,049
Investments		1,232,122
Capitalized Cost of Issue		402,611
Equipment	925	34,665
Accumulated Depreciation	(21)	(4,321)
Total Long Term	<u>904</u>	<u>8,246,126</u>
TOTAL ASSETS	<u>\$18,871,323</u>	<u>\$8,650,351</u>
<u>Liabilities</u>		
Current:		
Accounts Payable	\$ 157	\$ 4,799
Due to Other A/E	3,726	17,552
Accrued Expenses		1,650
Accrued Int. Payable	254,707	223,598
Current Bonds Payable	18,575,000	170,000
Total Current	<u>18,833,590</u>	<u>417,599</u>
Long Term:		
Inter-entity Loans Payable		150,000
Bonds Payable		7,720,000
Compensated Absences	1,520	13,355
Deferred COI Recovery		386,811
Total Long Term	<u>1,520</u>	<u>8,270,166</u>
TOTAL LIABILITIES	<u>18,835,110</u>	<u>8,687,765</u>
Retained Earnings	1,982	(37,414)
Retained Earnings-Reserved	<u>34,231</u>	
TOTAL LIABILITIES & EQUITY	<u>\$18,871,323</u>	<u>\$8,650,351</u>

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 1986  
ENTERPRISE FUNDS

	<u>Municipal Finance</u>	<u>Business Finance</u>
<u>Revenue</u>		
Application Fees		\$ 7,000
Bond Issue Fee	\$ 40,000	77,125
Investment Earnings	1,137,286	688,997
Operating Transfer		189,042
Cost of Issue Recovery	<u>                    </u>	<u>15,883</u>
Total Revenue	<u>1,177,286</u>	<u>978,047</u>
<u>Expenses</u>		
Personal	28,424	175,246
Contracted Services	2,660	28,991
Supplies and Materials	370	4,404
Communications	1,610	13,283
Travel	1,790	9,893
Rent	685	9,090
Repairs & Maintenance	51	1,344
Other	3,023	19,858
Depreciation Expense	21	3,177
Debt Service	<u>1,102,439</u>	<u>693,542</u>
Total Expenses	<u>1,141,073</u>	<u>958,828</u>
Net Income	<u>36,213</u>	<u>19,219</u>
Retained Earnings July 1, 1985	-0-	(42,138)
Prior Period Adjustment	<u>-0-</u>	<u>(14,495)</u>
Adjusted Retained Earnings July 1, 1985	<u>-0-</u>	<u>(56,633)</u>
Retained Earnings June 30, 1986	<u>\$ 36,213</u>	<u>\$(37,414)</u>

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 1986  
ENTERPRISE FUNDS

	<u>Municipal Finance</u>	<u>Business Finance</u>
<u>Sources of Working Capital</u>		
Operations:		
Net Income	\$ 36,213	\$ 19,219
Depreciation	21	3,177
Amortization of Cost of Issue		16,706
T-Bond Premium		(2,305)
T-Bond Discount		1,142
Recognize Deferred COI Recovery		(15,883)
Total From Operations	<u>36,234</u>	<u>22,056</u>
Other		
Increase in long-term Loan from other fund		150,000
Increase in Deferred Revenue		323,125
Bonds Payable		4,070,000
Compensated Absences	1,520	
Other		1,387
Total Other	<u>1,520</u>	<u>4,544,512</u>
Total Sources of Working Capital	<u>37,754</u>	<u>4,566,568</u>
<u>Uses of Working Capital</u>		
Capitalized Cost of Issue		216,842
Equipment Purchase	925	20,100
Purchase of T-Bonds		701,516
New Loans		5,351,583
Compensated Absences		3,220
Total Uses of Working Capital	<u>925</u>	<u>6,293,261</u>
Net Sources (Uses) of Working Capital	<u>\$ 36,829</u>	<u>\$(1,726,693)</u>
<u>Elements of Net Increase (Decrease) in Working Capital</u>		
Cash in Treasury	\$ 5,067	\$ 12,328
Cash with Fiscal Agent	1,891,891	5,924
Interest Receivable	169,732	(46,623)
Accounts Receivable		768
Notes/Loans Receivable	2,051,000	
Due from Other Funds	793	(15,592)
Investments	14,679,800	(1,540,989)
Capitalized Cost of Issue	72,130	
Prepaid Expenses	6	390
Accounts Payable	(157)	(3,026)
Due to Other Funds	(3,726)	(2,578)
Accrued Expenses		(1,650)
Accrued Interest Payable	(254,707)	(115,645)
Current Bonds Payable	(18,575,000)	(170,000)
Loans Payable		150,000
Elements of Net Increase (Decrease) in Working Capital	<u>\$ 36,829</u>	<u>\$(1,726,693)</u>

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD  
BALANCE SHEET AS OF JUNE 30, 1986  
NON-EXPENDABLE TRUST FUNDS

<u>Assets</u>	<u>Montana In-State Investment</u>	<u>Loan Loss Reserve</u>
Current:		
Cash in Treasury	\$ 12,747	\$ 1,120
Interest Receivable	17,528	
Accounts Receivable	19,000	317
Investments	<u>18,753,900</u>	<u>35,804</u>
Total Current	<u>18,803,175</u>	<u>37,241</u>
Long Term:		
Notes/Loans Receivable	<u>13,117,576</u>	
Total Long Term	<u>13,117,576</u>	
TOTAL ASSETS	<u>\$31,920,751</u>	<u>\$37,241</u>
<u>Liabilities and Fund Balance</u>		
Liabilities	\$ -0-	\$ -0-
Fund Balance	<u>31,920,751</u>	<u>37,241</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$31,920,751</u>	<u>\$37,241</u>

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1986  
NON-EXPENDABLE TRUST FUNDS

	<u>Montana In-State Investment</u>	<u>Loan Loss Reserve</u>
<u>Revenue</u>		
Application Fees		\$32,802
Investment Earnings	\$ 2,341,225	2,888
Coal Severance Tax Collections	<u>9,675,248</u>	<u>          </u>
Total Revenue	<u>12,016,473</u>	<u>35,690</u>
<u>Expenses</u>	<u>-0-</u>	<u>-0-</u>
Income before Operating Transfers	12,016,473	35,690
Operating Transfers to General Fund	<u>1,990,060</u>	<u>          </u>
Net Income	<u>10,026,413</u>	<u>35,690</u>
Fund Balance July 1, 1985	21,812,270	1,551
Prior Period Adjustment	<u>82,068</u>	<u>-0-</u>
Adjusted Fund Balance July 1, 1985	<u>21,894,338</u>	<u>-0-</u>
Fund Balance June 30, 1986	<u>\$31,920,751</u>	<u>\$37,241</u>

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 1986  
NON-EXPENDABLE TRUST FUNDS

	<u>Montana In-State Investment</u>	<u>Loan Loss Reserve</u>
<u>Sources of Working Capital</u>		
Net Income	\$10,026,413	\$35,690
Total Sources of Working Capital	10,026,413	35,690
 <u>Uses of Working Capital</u>		
Loans Receivable	9,938,019	
Net Increase in Working Capital	<u>\$ 88,394</u>	<u>\$35,690</u>
 <u>Elements of Net Increase in Working Capital</u>		
Cash in Treasury	\$(1,984,629)	\$ 1,120
Interest Receivable	17,482	
Accounts Receivable	(1,114)	(383)
Investments	795,323	35,804
Due from Other Funds	(61,954)	(851)
Due to General Fund	1,323,286	
Elements of Net Increase in Working Capital	<u>\$ 88,394</u>	<u>\$35,690</u>

The accompanying footnotes are an integral part of the financial statements.

MONTANA ECONOMIC DEVELOPMENT BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 1986

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The Montana Economic Development Board (MEDB) uses the accrual basis of accounting. Under this basis, expenses are recorded when incurred and revenues are recorded when earned.

The financial statements are prepared from the Statewide Budgeting and Accounting System (SBAS) with adjustments, and information contained in the bond trustee statements and include the financial activity administered by the Montana Economic Development Board. This activity includes the Enterprise Funds and Non-Expendable Trust Funds of the MEDB. Accordingly, these financial statements are not intended to fairly present the financial position, results of operations, or changes in financial position of the state of Montana.

B. REPORTING FORMAT

In fiscal year 1984-85, MEDB presented their financial information based on program activity rather than on where the activity was recorded under the state treasury fund structure. Schedules were presented showing financial activity for the Industrial Development Revenue Bond and Coal Tax Loan programs by various accounts.

In fiscal year 1985-86, MEDB has presented financial statements for the Enterprise and Non-Expendable Trust Funds as recorded under the state treasury fund structure.

C. PRESENTATION OF FUNDS AND PROGRAMS CONTAINED THEREIN

The MEDB uses two types of funds, Enterprise Funds and Non-Expendable Trust Funds. The MEDB uses the Enterprise

Funds to account for the operations of its two basic activities: municipal financing for local governments and long-term fixed-rate financing for business activities.

At present, the only operational program under the Municipal Finance Program is the Montana Cash Anticipation Financing (MCAF) Program. Development costs for other programs such as INTERCAP (Intermediate Term Capital Pool) are also included in the Municipal Finance Program. The INTERCAP development phase and the feasibility study will be completed in fiscal 1986-87. The Municipal Finance Program is accounted for in an Enterprise Fund because the legislature intends this program to be self-supported.

Included in the Business Finance Program Enterprise Fund are the Coal Tax Loan Program (CTL), Montana Capital Companies Program, and the Industrial Development Bond (IDB) Program. The MEDB has determined that, for management purposes, it will account for the operations of the Coal Tax Loan Program and the Montana Capital Companies (MCC) Program under an enterprise fund. The Industrial Development Bond Program is accounted for in an enterprise fund because the legislature intends this program to be self-supported.

The Industrial Development Bond Program sells bonds to create the funds necessary to finance the projects eligible for that program. The Coal Tax Loan Program invests the funds of the Montana In-State Investment Fund. The Montana Capital Companies Program issues tax credits for qualified Montana Capital Companies.

The Montana In-State Investment Fund represents a portion of the constitutionally dedicated Coal Tax Trust Fund made up from deposits of a portion of Coal Severance Taxes collected. Initiative-95, passed by the voters in November 1982, stated that 25 percent of the funds deposited to the Coal Severance Tax Trust Fund will be invested in Montana. The result of Initiative-95 was the creation of the Montana In-State Investment Fund and the Coal Tax Loan Program by the 1983 Legislature. The Montana In-State Investment Fund is a Non-Expendable Trust Fund.

During the 1985 Legislature, authority was given to the Board to deposit service charges and up to .25 percent of the interest on coal tax loans to the Loan Loss Reserve Fund. The purpose of the Loan Loss Reserve Fund is to protect the Montana In-State Investment Fund from losses. The Loan Loss Reserve Fund is also accounted for as a Non-Expendable Trust Fund.

#### D. ANNUAL AND SICK LEAVE

Annual leave and sick leave costs are recorded when leave is taken and then adjusted at year-end for the outstanding liability. Upon termination, qualifying employees with unused accumulated annual and sick leave receive 100 percent payment on annual leave and 25 percent payment on sick leave.

#### E. FIXED ASSET DEPRECIATION

Fixed assets are recorded in the two operations funds: Municipal Finance and Business Finance. The assets are depreciated on a straight-line basis, with salvage value, in accordance with state policy.

### 2. EMPLOYEES' RETIREMENT SYSTEM

Montana Economic Development Board employees are covered by the Public Employees' Retirement System, which is administered by the state of Montana. Under this system, the state contributes 6.417 percent of an employee's gross wages, while the employee contributes 6 percent of his/her wages. The board's contribution to the retirement system for the fiscal year ended June 30, 1986, was \$9,428.

### 3. INVESTMENTS

Montana Economic Development Board purchases investments from the State Short-Term Investment Pool (STIP).

Investments made by the Bond Trustee are adjusted by unamortized premium or discount.

The cost and market values for investments other than money markets as of June 30, 1986, are as follows:

	<u>Cost</u>	<u>Market</u>
Business Finance Programs	\$ 1,232,122	\$ 1,558,373
Montana In-State Investment	18,753,900	19,852,589
Loan Loss Reserve	35,804	36,866

For money market investments, cost and market values are equal.

#### 4. BOND ISSUES

##### A. "POOLED" INDUSTRIAL REVENUE BONDS

The MEDB issues bonds for the purpose of providing funds to purchase economic development loans in the state of Montana. The bonds are limited obligations of the Economic Development Board payable solely from and secured by revenues and assets of the board. The state's liability is limited to only the pledged assets of the board.

Included within the revenues and assets of the board are the amounts deposited in the board's reserve accounts. If the balance in the board's Capital Reserve Account falls below the amount established by the indenture, then the Governor is required to request that the legislature appropriate funds to restore the balance. The legislature may, but is not legally obligated to, appropriate funds to correct any deficiency.

A summary of the board's fully register bonds follows:

<u>Bond Issue</u>	<u>Date Issued</u>	<u>Amount</u>	<u>Interest Dates</u>	<u>Series Retirement Date</u>
1984 Series A-G	Dec.15, 1984	\$3,650,000	March 15 & Sept.15	3/86 thru 3/06
1985 Series A-L	Oct.15, 1985	\$4,925,000	March 15 & Sept.15	3/87 thru 3/07

Series J of the 1985 Bond Issue Series A-L was recalled on March 15, 1986, per the provisions of the Indenture of Trust. The board did not incur a gain/loss on the early extinguishment of

debt because the borrower (for whom the bonds were issued) was required to pay:

1. All costs of issue related to Series J;
2. Negative arbitrage earnings from the time the lender had originally agreed to sell their loan to the board, until the recall in March 1986; and
3. All trustees' expenses related to the actual notice and retirement of the bonds.

Series J bonds amounted to \$665,000 of the original \$4,925,000 issue.

Outstanding balances on the bond issues as of June 30, 1986, follow:

<u>Bond Issue</u>	<u>Current</u>	<u>Long Term</u>
1984 Series A-G	\$ 70,000	\$3,560,000
1985 Series A-L*	100,000	4,160,000

\*Excluding Series J Retired 3/86

#### B. "STAND-ALONE" INDUSTRIAL REVENUE BONDS

The MEDB issued bonds on behalf of four borrowers under the Stand-alone Program during fiscal 1985-86. The bonds issued under this program do not constitute a debt or liability to the board or the state of Montana. Assets and revenues of the four borrowers are pledged to repay the bonds. Accordingly, the Stand-alone bond issues are not recorded on the board's financial statements.

The following Stand-alone Industrial Revenue bonds were issued:

Butler Creek	\$ 350,000
Mt. Progress Limited	5,000,000
Winter Sports	3,200,000
Farmers Union (CENEX)	3,925,000
	<u>\$12,475,000</u>

### C. MONTANA CASH ANTICIPATION FINANCING BONDS

The MEDB issued \$18,575,000 in Series 1985 Bonds on August 27, 1985. The bonds are due on September 27, 1986. Interest payment dates are April 1, 1986, and September 27, 1986. The Series 1985 Bonds are not subject to redemption prior to maturity. These bonds are limited obligations of the Montana Economic Development Board. This is the extent of the liability of the state of Montana. The bonds are payable from repayments of principal and interest on Tax or Revenue Anticipation Notes purchased by the Montana Economic Development Board from participating local government units.

The Series 1985 Bonds are not in any way a debt or liability of the state of Montana, and neither the faith and credit nor the taxing power of the state of Montana is pledged to the payment of the principal of or interest on these bonds.

The Series 1985 Bonds are secured by an irrevocable loan agreement between the board and the Montana State Board of Investments which authorizes the Bond Trustee to request from the Board of Investments, and requires the Board of Investments to lend money for deposit in the board's Cash Anticipation Financing Program Reserve Account A in an amount equal to any deficiencies therein for payment of principal and interest on the Series 1985 Bonds.

### 5. LOANS PAYABLE

The Montana Economic Development Board currently has a \$150,000 loan to the IDB Administration Account from the General Fund. The purpose of the loan is to fund the costs of operation for the Account until earnings on bond proceeds are available to cover the costs of operation associated with the account. The state legislature gave the board authority to carry the loan over four years. There have been no repayments.

## 6. TRANSFERS

The Coal Tax Loan Program operations are supported by a General Fund appropriation. The General Fund appropriation is then transferred into the Business Finance Enterprise Fund where the actual program expenses are recorded. The coal severance tax collection transfers are the current year's portion of the coal severance taxes allocated to MEDB. The transfer to the General Fund is the 85 percent of the investment earnings of the Montana In-State Investment Fund.

## 7. COAL TAX LOAN COMMITMENTS

The board makes firm commitments to fund loans from the Montana In-State Investment Fund. The commitments have expiration dates and may be extended according to the board's administrative rules. As of June 30, 1986, the board had committed to purchase 15 loans from Montana lenders totalling \$5,467,860.

## 8. SUBSEQUENT EVENTS

### A. SUPREME COURT RULING

A 1985 amendment to state law provided that the definition of an "investment" includes the Guarantee of Loans or Bonds. In August 1986 the Supreme Court found this provision unconstitutional.

The board did not implement any programs to use the newly acquired authority. They did have constitutional questions that needed to be answered before new programs could be developed, therefore, they presented their questions to the Supreme Court in the form of a test case. The ruling on the Test Case does not affect any programs currently in use by the board.

### B. BOND ISSUE

On July 15, 1986, the MEDB issued \$27,480,000 in Montana Cash Anticipation Financing Bonds.



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## APPENDICES

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**A. General Information**

MEDB-Approved Financial Institutions Exhibit 1

**B. Coal Tax Loan Program**

Approved Loans Exhibit 2

Legislative Criteria on Approved Loans Exhibit 3

Geographic Distribution of Approved Loans Exhibit 4

**C. Pooled Industrial Development Revenue Bond Program**

Approved Projects Exhibit 5

Geographic Distribution of Approved Projects Exhibit 6

**D. Stand-Alone Industrial Development Revenue Bond Program**

Approved Projects Exhibit 7

**E. Municipal Finance Consolidation Program**

Summary of MCAF Participants - Fiscal 1986 Exhibit 8

Geographic Distribution of MCAF Participants - Exhibit 9

Fiscal 1986

Summary of MCAF Participants - Fiscal 1987 (Estimated) Exhibit 10

**F. Montana Capital Companies Program**

List of Montana Capital Companies Exhibit 11



Exhibit 1

**MEDB APPROVED FINANCIAL INSTITUTIONS**

September 1986

		<u>Lender No.</u>
ANACONDA	First Security Bank	012-01
BAKER	The Bank of Baker	013-01
BELGRADE	Valley Bank	016-02
BIGFORK	Flathead Bank	015-10
BILLINGS	Western Bank	056-01
	Norwest Bank	056-03
	First Interstate Bank	056-04
	First Interstate - Heights	056-05
	First Bank Billings	056-07
BOZEMAN	First Security Bank	016-01
	Montana Bank	016-03
	First Nat'l Bank	016-04
	First Citizens Bank	016-05
BUTTE	Miners Bank of Mont.	047-01
	Montana Bank	047-02
	Norwest Bank Ana-Butte	047-03
	First Bank Butte	047-04
COLUMBIA FALLS	Glacier Nat'l Bank	015-02
	First Citizens Bank	015-11
CONRAD	Farmers State Bank	037-01
DEER LODGE	Deer Lodge B & T	039-01
	Pioneer Fed'l S & L	039-02
DILLON	State Bank & Trust	001-01
	Norwest Bank, N.A.	001-02
EUREKA	First Nat'l Bank	027-01
FAIRFIELD	First Nat'l Bank	050-01
GLASGOW	First Security Bank	053-01
	Treasure State Bank	053-02
GLENDIVE	First Fidelity Bank	011-01
	First Nat'l Bank	011-02

		<u>Lender No.</u>
GREAT FALLS	Norwest Bank	007-01
	First Bank West	007-02
	First Interstate GF	007-03
	First Bank GF	007-04
	Village Bank	007-05
	Fidelity S & L Assn.	007-06
HARDIN	Little Horn State Bank	002-01
HAVRE	Burlington-Northern CU	021-01
	First National Bank	021-02
	First Security Bank	021-03
HELENA	Norwest Bank	025-01
	First Security Bank	025-02
	Bank of Montana	025-03
	Develop. Corp. of Mont.	025-04
	First Bank Helena	025-05
	Amer. Fed. S & L	025-06
	Valley Bank of Helena	025-07
KALISPELL	Valley Bank	015-01
	First Security Bank	015-04
	Norwest Bank	015-05
	First Interstate Bank	015-07
	First Fed Svgs Bk of Mont.	015-09
LAUREL	First Security Bank	056-02
	Yellowstone Bank	056-08
LEWISTOWN	Norwest Bank	014-01
	First National Bank	014-02
LIBBY	First Nat'l Bank	027-02
LIVINGSTON	Montana Bank	034-01
	First Bank Livingston	034-02
	First Security Bank	034-03
MALTA	First State Bank	036-01
	First Security Bank	036-02
MILES CITY	First Interstate Bank	009-01
	First Nat'l Bank	009-02
	First Security B & T	009-03
MISSOULA	First Bank Southside	032-01
	First Bank-Western Montana	032-02
	First Security Bank	032-03
	Mont. Bank So. Missoula	032-04
	First Interstate Bnk of Msla.	032-05

		<u>Lender No.</u>
POLSON	First Citizens Bank	024-01
	Security State Bank	024-03
RONAN	Valley Bank	024-02
	Ronan State Bank	024-04
SEELEY LAKE	First Valley Bank	032-06
SIDNEY	Richland Nat'l B & T	042-01
	First United Bank	042-02
ST. IGNATIUS	Lake County Bank	024-05
STEVENSVILLE	First State Bank	041-01
SUPERIOR	Montana Bank of Mineral County	031-01
THOMPSON FALLS	First State Bank of Mont.	045-01
TWIN BRIDGES	First National Bank	029-01
W. YELLOWSTONE	First Security Bank	016-06
WHITEFISH	Mountain Bank	015-03
	First National Bank	015-08
WHITE SULPHUR	First National Bank	030-01



COAL TAX LOAN PROGRAM

BORROWER	PROJECT DESCRIPTION	PROJECT LOCATION	BOARD'S SHARE	TOTAL PROJECT (approx.)	CONSTRUCTION (approx.)	LOAN TYPE	TERM (years)	MOB INTEREST	LENDER INTEREST	BLENDED RATE	L5F	6-30-86 STATUS	CURRENT LOAN BALANCE	PRINCIPAL REPAYMENTS
C. M. Burns d/b/a Western Trucking	WC	Baker	\$180,000	\$200,000	\$0	Fed. (58A)	5	10.57%	12.57%	12.57%	2.00%	Funded	\$118,334	\$61,666
Owens & Hurst Lumber Co.	B, E	Eureka	770,000	1,100,000	75,000	Fed. (FMHA)	15	10.77%	0.00%	11.77%	1.00%	Funded	732,107	37,893
State Publishing Co.	E, WC	Helena	375,000	500,000	0	Fed. (58A)	15	11.47%	Variable	Variable	0.53%	Funded	352,946	22,054
Creative Sales	L, B, E, WC	Whitefish	984,464	1,230,580	100,000	Participation	10	10.71%	14.00%	11.57%	0.25%	Funded	910,615	73,869
O'Connor Enterprises, Inc.	B, E, WC	Baker	296,429	344,685	226,000	Fed. (58A)	15	9.78%	14.00%	12.09%	1.00%	Funded	254,201	42,228
Super 8 Motel of Butte	B, E	Butte	484,325 139,326	800,000	680,000	Fed. (58A)/ Participation	20	8.76% 9.79%	11.17%	10.71%	1.58% 2.00%	Funded Funded	489,348 136,121	4,981 1,205
Independent Lumber	L, B, E	Missoula	216,600	285,000	285,000	Participation	15	10.12%	14.00%	11.83%	1.00%	Funded	210,979	5,621
Flethead Tours, Inc.	E	Polson	88,000	110,000	0	Participation	10	10.07%	14.50%	12.56%	2.00%	Funded	77,756	10,244
Kenneth & Nancy Holdeman d/b/a Mountain View Mercantile	I	Big Sky	81,000	90,000	0	Fed. (58A)	7	9.83%	14.00%	12.05%	2.00%	Funded	69,554	11,446
Thomas & Cecilia Reimer	L, B	Bozeman	481,100	586,000	281,900	Fed. (58A)	20	8.98%	15.00%	11.59%	2.00%	Funded	475,891	5,209
Custom Wood Products	E, I, WC	Polson	84,115	93,461	8,000	Participation	7	9.32%	11.32%	11.32%	2.00%	Funded	60,868	23,247
Vinson Timber Products, Inc.	B, E, R	Trout Creek	496,203 200,222	1,074,661	479,461	Fed. (58A)/ Participation	15	8.00% 8.95%	14.00%	10.22%	1.00% 1.00%	Funded Funded	494,985 199,292	1,218 930
Flethead Lake Cherry Growers	B	Polson	240,000	300,000	300,000	Participation	20	9.78%	14.00%	12.22%	2.00%	Funded	221,370	18,630
Super 8 of Polson	B	Polson	280,000	350,000	350,000	Participation	15	9.70%	13.50%	12.06%	2.00%	Funded	277,526	2,474
Columbia Chemical Co., Inc.	WC	Helena	175,000	175,000	0	Linked Dep.	10	10.11%	12.11%	12.11%	2.00%	Funded	175,000	0
Western Seed & Supply Co.	B, E	Ronan	876,172	650,000	650,000	Fed. (58A)	10.33	8.44%	10.59%	10.59%	1.95%	Funded	462,725	13,447
Fit-Fit Company, Inc.	I, WC	Great Falls	357,452	400,000	0	Fed. (58A)	7	8.95%	13.25%	11.09%	2.00%	Funded	339,755	17,697
Hi-Country Beef Jerky	B, E	Lincoln	417,124	520,000	0	Fed. (58A)	18.33	8.76%	10.76%	10.76%	2.00%	Funded	411,345	5,779
Jim Palmer Trucking	0	Missoula	215,462	270,000	138,500	Fed. (58A)	20	9.98%	10.98%	10.98%	2.00%	Funded	213,564	1,898
Ann Aiers & Patty Aiers o/b/a A & B Partnership	B, E	W. Yellowstone	136,000	417,671	60,000	Fed. (58A)	20	9.18%	12.25%	11.39%	2.00%	Funded	132,930	3,070
Seiway Corporation	B, E	Stevensville	180,000	200,000	94,084	Fed. (58A)	15	6.40%	11.25%	8.87%	2.00%	Committed	N/A	N/A
Fredrick & Pauline Jasper d/b/a Super 8 Motel	B	St. Regis	463,500	500,000	500,000	Fed. (58A)	20	7.01%	11.50%	9.26%	2.00%	Funded	463,500	0
Donald Turner & Gene E. Cook d/b/a Super 8 of Belgrade	B, E, I	Belgrade	495,000	340,150	550,000	Fed. (58A)	20	9.32%	10.82%	10.82%	1.50%	Funded	490,668	4,332
Ronald D. Vander Veen d/b/a Western Montana Gem	L, B, E	Missoula	135,000	150,000	6,300	Fed. (58A)	20	9.32%	11.32%	11.32%	2.00%	Funded	133,526	1,474
Big Sky Ski & Travel Mart	B, E, I, WC	Big Sky	175,500	195,000	135,000	Fed. (58A)	20	8.37%	10.00%	10.00%	1.63%	Funded	174,393	1,107
Intermountain Lumber & Building Supply	L, B	Helena	318,961	434,995	434,995	Participation	20	10.10%	Variable	Variable	1.00%	Funded	317,277	1,684
John C. & Jean L. Felton	B, WC	Missoula	240,000	300,000	294,121	Participation	10	7.30%	Variable	Variable	1.50%	Funded	237,489	2,511
David & Valrie Lipka d/b/a New Creation Cabinetry	L, E, I, WC, R	Bozeman	244,800	306,000	0	Fed. (58A)	15	8.91%	12.25%	11.18%	2.00%	Funded	243,053	1,747
Karrier Manufacturing, Inc.	E, I, WC, R	Kalispeil	104,400	116,000	0	Fed. (58A)	5	9.42%	12.50%	10.63%	2.00%	Funded	94,587	9,813
R & L Millison and R & C Millison d/b/a Blue Spruce Lodge & Tree Farm	B, E	Trout Creek	160,000	200,000	141,000	Fed. (58A)	15	6.39%	11.50%	8.70%	2.00%	Funded	180,000	0
Hi-Country Beef Jerky	R	Lincoln	275,386	275,386	0	Link	7	8.95%	10.95%	10.95%	2.00%	Funded	275,386	0
Northern Lumber & Cedar	B, I, WC, R	St. Regis	435,500	650,000	40,000	Fed. (58A)	15	8.82%	10.50%	10.50%	1.68%	Funded	435,320	180
Gates of the Mountains, Inc.	E	Helena	80,000	100,000	0	Participation	7	7.17%	12.50%	9.84%	2.00%	Committed	N/A	N/A
David & Dionne Knutson d/b/a Knutson Dairy	B, E, WC	Charlo	303,353	337,059	3,000	Fed. (58A)	7	9.45%	10.45%	10.45%	2.00%	Funded	295,722	7,631
Continental Television Network, Inc.	E, WC	Great Falls	400,000 700,000	1,375,000	0	Link Participation	8	6.82% 6.98%	8.62% Variable	8.62% Variable	2.00% 0.00%	Committed	N/A	N/A

BORROWER	PROJECT DESCRIPTION	PROJECT LOCATION	BOARD'S SHARE	TOTAL PROJECT (approx.)	CONSTRUCTION (approx.)	LOAN TYPE	TERM (years)	MEOR INTEREST	LENDER INTEREST	BLENDED RATE	LSF	5-10-86 STATUS	CURRENT LOAN BALANCE	PRINCIPAL REPAYMENTS
Alcotech, Inc.	E, B, R	Rindling	840,000	1,050,000	30,000	Participation	10	8.69%	Variable	Variable	1.50%	Committed	N/A	N/A
Teresa Kinney d/b/a Fox Hollow Residence Inn	WC	Great Falls	250,000	250,000	0	Link	15	8.92%	10.92%	10.92%	2.00%	Funded	250,000	0
Renfrow's, Inc.	B, E, WC, R	Columbia Fall	238,098	273,676	95,000	Fed. (SBA)	15	8.43%	12.25%	10.66%	2.00%	Funded	236,057	2,041
Keifert-white Company	R	Townsend	179,599	179,599	0	Link	15	8.53%	10.53%	10.53%	2.00%	Funded	179,699	0
Lone Pine Products	L, B, E	Eureka	268,000	335,000	77,000	Participation	7	7.03%	13.00%	9.82%	2.00%	Committed	N/A	N/A
Joe Bybee d/b/a Joe Bybee Logging	E, R	Thompson Fall	483,112	596,434	0	Fed. (SBA)	5	6.95%	8.95%	8.95%	2.00%	Funded	483,112	0
Devere Jones & Alice Jones d/b/a Lionshead Resort	B, E	W. Yellowstone	500,000	625,000	521,000	Fed. (SBA)	20	6.56%	Variable	Variable	2.00%	Committed	N/A	N/A
Millwood Systems, Inc.	I, WC, R	Missoula	235,000 185,000	500,000 300,000	0	Fed. (SBA) Participation	7	6.77% 7.56%	12.25%	9.73%	2.00% 2.00%	Committed Committed	N/A	N/A
Martin & Patricia Geiger d/b/a Black Bear Dairy	R	Niarada	303,418	337,131	0	Fed. (FmHA)	7	6.49%	11.00%	8.74%	2.00%	Funded	301,585	1,833
Wayne & Geraldine Maughan	B, E, R	Ronan	157,500	175,000	30,000	Fed. (FmHA)	10	6.64%	8.64%	8.64%	2.00%	Funded	157,500	0
Tougas Enterprises, Inc.	E, I	Ronan	48,656	54,042	0	Fed. (FmHA)	7	6.49%	8.49%	8.49%	2.00%	Funded	48,656	0
Millwood Systems, Inc.	B	Missoula	208,000	260,000	208,000	SBA 504	15	7.80%	Variable	Variable	2.00%	Committed	N/A	N/A
Thomas & Cheryl Herman d/b/a Herman's Agate & Silver Shop	L, B, E, I, R	Crane	28,000	35,000	2,000	Fed. (SBA)	7	6.39%	12.00%	9.11%	2.00%	Funded	27,285	715
Flathead Concrete Products	L, B, E, R	Kalispell	192,400	240,500	154,031	Fed. (SBA)	20	6.76%	Variable	Variable	2.00%	Committed	N/A	N/A
Raymond L. Bell	E, WC, R	Helena	333,680	388,000	0	Fed. (SBA)	15	6.51%	Variable	Variable	2.00%	Funded	333,680	0
Howard & Joanna Dixon d/b/a Dixon & Dixon Post Pole	B, E, I, WC	W. Sulphur	117,000	150,000	10,000	Fed. (SBA)	10	6.19%	Variable	Variable	2.00%	Funded	117,000	0
Christie Brodin & Jeanne Blank d/b/a Brodin & Blank Technology Nets & Distefink Designs	L, B, E	Belgrade	57,510	63,900	24,800	Fed. (SBA)	20	6.61%	8.61%	8.61%	2.00%	Funded	57,510	0
George & Joan Boutiman d/b/a Tatem House Art Gallery	L, B, I	Helena	88,814	98,682	0	Fed. (SBA)	20	6.43%	11.75%	8.77%	2.00%	Funded	88,814	0
Gary H. & Ava Shaefer d/b/a Montana Canvas Company	L, B, R	Belgrade	145,821	165,704	100,000	Fed. (SBA)	20	6.60%	11.75%	8.98%	2.00%	Committed	N/A	N/A
Richard & Dorothy Todd	R	Sheridan	292,500 180,000	325,000 200,000	0	Fed. (FmHA) Fed. (FmHA)	7 20	6.88% 7.23%	8.00% 8.00%	8.00% 8.00%	1.12% 0.77%	Funded Funded	292,500 180,000	0 0
King Tool, Inc.	L, B, E, WC	Bozeman	494,100	610,000	370,000	Fed. (FmHA)	20	6.72%	11.25%	9.20%	2.00%	Committed	N/A	N/A
Richland Yellowstone Manufacturing, Inc.	L, B, I, WC	Sidney	204,050	291,500	17,000	Fed. (FmHA)	15	6.60%	11.75%	9.55%	2.00%	Funded	204,050	0
Raf & Cleora Lybeck d/b/a Lybeck Dairy Farm	WC, R	Kalispell	315,000 117,000	350,000 130,000	0	Fed. (FmHA)	7 20	6.77% 7.01%	8.00% 8.00%	8.00% 8.00%	1.23% 0.99%	Committed Committed	N/A	N/A
Stanley & Barbara Frost d/b/a Stanley K. Frost Logging	R	Eureka	111,601	148,801	0	Fed. (SBA)	7	8.24%	Variable	Variable	2.00%	Committed	N/A	N/A
Barry & Shirley Baker	R	Ronan	114,525	127,250	0	Fed. (FmHA)	7	7.79%	Variable	Variable	2.00%	Committed	N/A	N/A

B - Building  
 WC - Working Capital  
 E - Equipment  
 I - Inventory  
 L - Land  
 R - Refinance  
 LSF - Lender Service Fee

# Exhibit 3

## COAL TAX LOAN PROGRAM

BORROWER	PROJECT LOCATION	S vs. NS	JOB EXISTING	JOB CREATED (est.)	ECONOMIC RETURN	SIC
C. M. Burns d/b/a Western Trucking	Baker	S	20	0	19.4%	42
Owens & Hurst Lumber Co.	Eureka	NS	95	11	13.9%	24
State Publishing Co.	Helena	S	22	5	14.7%	27
Creative Sales	Whitefish	S	24	90	19.5%	34
O'Connor Enterprises, Inc.	Baker	NS	17	3	12.3%	13
Super 8 Motel of Butte	Butte	S	0	20	14.6%	70
Independent Lumber	Missoula	NS	23	3	17.6%	24
Flathead Tours, Inc.	Polson	S	0	2	15.8%	44
Kenneth & Nancy Holdeman d/b/a Mountain View Mercantile	Big Sky	S	0	4	14.0%	52
Thomas & Cecilia Reiner	Bozeman	S	13	1	10.3%	42
Vinson Timber Products, Inc.	Trout Creek	NS	28	10	12.1%	24
Custom Wood Products	Polson	NS	0	7	12.8%	24
Flathead Lake Cherry Growers	Polson	NS	50	8	14.6%	7
Super 8 of Polson	Polson	S	4	3	11.9%	70
Columbia Chemical Co., Inc.	Helena	S	12	8	15.8%	28
Western Seed & Supply Co.	Ronan	S	18	4	10.3%	51
Fi-Foil Company, Inc.	Great Falls	NS	5	10	15.0%	34
Hi-Country Beef Jerky	Lincoln	S	39	40	13.6%	20
Jim Palmer Trucking	Missoula	S	61	17	16.8%	42
Wm Akers & Patsy Akers d/b/a A & B Partnership	West Yellowstone	S	2	8	12.2%	39
Selway Corporation	Stevensville	S	50	10	17.2%	34
Fredrick & Pauline Jasper d/b/a Super 8 Motel	St. Regis	S	0	5	9.5%	70
Donald Turner & Gene E. Cook d/b/a Super 8 of Belgrade	Belgrade	S	0	12	11.8%	70
Ronald O. Vander Veen d/b/a Western Montana Gem	Missoula	S	1	2	10.6%	39
Big Sky Ski & Travel Mart	Big Sky	S	0	10	12.7%	53
Intermountain Lumber & Building Supply	Helena	S	27	2	14.4%	52
John C. & Jean L. Felton	Missoula	NS	20	10	15.9%	35
David & Valrie Lipka d/b/a New Creation Cabinetry	Bozeman	NS	7	2	10.1%	24
Karrier Manufacturing, Inc.	Kalispell	S	7	23	13.3%	30
Blue Spruce Lodge & Tree Farm	Trout Creek	S	0	3	10.8%	70
Hi Country Beef Jerky	Lincoln	S	39	0	15.7%	20
Northwestern Lumber & Cedar	St. Regis	NS	20	6	9.4%	24
Gates of the Mountains, Inc.	Helena	S	9	3	12.1%	44

BORROWER	PROJECT LOCATION	S vs. NS	JDBS EXISTING	JOB CREATED (est.)	ECONOMIC RETURN	SIC
David & Dionne Knutson d/b/a Knutson Dairy	Charlo	S	3	1	9.2%	2
Continental Television Network, Inc.	Great Falls	S	0	34	17.4%	48
Alcotech, Inc.	Ringling	S	16	9	11.2%	28
Teresa Kinney d/b/a Fox Hollow Residence Inn	Great Falls	S	5	2	9.1%	70
Renfrow's, Inc.	Columbia Falls	NS	11	2	10.9%	24
Neifert-White Company	Townsend	S	7	1	8.9%	52
Lone Pine Products	Eureka	NS	0	6	11.2%	24
Joe Bybee d/b/a Joe Bybee Logging	Thompson Falls	NS	9	6	7.3%	24
DeVere Jones & Alice Jones d/b/a Lionshead Resort	West Yellowstone	S	15	10	10.6%	70
Millwood Systems, Inc.	Missoula	S	51	19	9.4%	25
Martin & Patricia Geiger d/b/a Black Bear Dairy	Niarada	S	4	0	7.5%	2
Wayne & Geraldine Maughan	Ronan	NS	4	1	8.1%	1
Tougas Enterprises, Inc.	Ronan	S	1	2	10.1%	28
Millwood Systems, Inc.	Missoula	S	NA	NA	9.4%	25
Thomas & Cheryl Harmon d/b/a Harmon's Agate & Silver Shop	Crane	S	2	1	11.3%	39
Flathead Concrete Products	Kalispell	S	3	3	13.0%	32
Raymond L. Bell	Helena	S	22	3	7.8%	27
Howard & Joanna Dixon d/b/a Dixon & Dixon Post Pole	W Sulphur Springs	NS	1	2	8.7%	24
Christer Brodin & Jeanne Blank d/b/a Brodin Landing Nets & Distlefink Designs	Belgrade	S	1	2	8.2%	39
George & Joan Bousliman d/b/a Tatem House Art Gallery	Helena	S	2	0	6.4%	59
Gary H. & Ava Shafer d/b/a Montana Canvas Company	Belgrade	S	5	3	9.4%	23
Richard & Dorothy Todd	Sheridan	NS	4	2	8.9%	2
King Tool, Inc.	Bozeman	S	22	8	8.0%	34
Richland Yellowstone Manufacturing, Inc.	Sidney	S	5	4	7.2%	31
Ray & Cleona Lybeck d/b/a Lybeck Dairy Farm	Kalispell	S	9	5	7.2%	2
Stanley & Barbara Frost d/b/a Stanley K. Frost Logging	Eureka	NS	14	0	19.0%	24
Barry & Shirley Baker	Ronan	S	4	0	23.5%	2

NS - Nonstable  
S - Stable  
SIC - Standard Industrial Code

## COAL TAX LOAN PROGRAM

### SUMMARY OF SICs BY MAJOR INDUSTRY GROUPS

SIC GROUPS	# OF LOANS	ECONOMIC SECTOR	PERCENT OF PORTFOLIO
01-09	7	Agriculture, Forestry & Fisheries	6%
10-14	1	Mining	1%
20-39	32	Manufacturing	31%
40-49	6	Transportation & Public Utilities	7%
50-51	1	Wholesale Trade	1%
52-59	4	Retail Trade	2%
70-89	8	Services	10%
		Sub-Total	<u>58%</u>
		STIP Funds Uncommitted	42%
		TOTAL	<u><u>100%</u></u>



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MONIANA

Exhibit 4





Exhibit 5

POOLED INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM

BORROWER	PROJECT DESCRIPTION	PROJECT LOCATION	CURRENT BALANCE	TOTAL PROJECT (approx.)	CONSTRUCTION (approx.)	BOND ISSUE	TERM (years)	EBR	6-30-86 STATUS
Larry and Leona Reed d/b/a Montana Claims Service	office building	Billings	\$57,167	\$70,000	\$55,000	1	15	12.65%	Funded
Michael Torgerson & Tom Wiggins Partnership	office building	Kalispell	413,000	450,000	400,000	1	15	12.73%	Funded
Montana Family Chiropractic Center	medical office building	Kalispell	207,000	250,000	160,000	1	20	12.72%	Funded
New Horizon Partnership	surgical outpatient center	Kalispell	801,667	806,000	652,000	1	20	12.70%	Funded
Kalispell Electric, Inc.	wholesale store building	Kalispell	342,500	389,000	307,000	1	15	12.81%	Funded
Oolores M. Young	warehouse space	Kalispell	183,750	186,000	175,000	1	20	12.88%	Funded
Medical Arts Block Partnership	medical office building	Helena	996,000	1,325,000	900,000	1	20	12.71%	Funded
Richard and Judith Mahrenweiser	office building	Kalispell	237,502	312,960	225,000	2	20	11.94%	Funded
Clyde E. Deshields	retail building	Big Sky	163,846	275,000	155,660	2	15	11.82%	Funded
Professional Properties Partnership	optometric office building	Helena	289,594	485,500	175,000	2	20	12.30%	Funded
Valley Center Development Partnership	shopping center	Belgrade	317,115	348,000	300,000	2	20	11.94%	Funded
Blue and White Motel, Inc.	motel renovation	Kalispell	158,333	176,700	150,000	2	20	12.29%	Funded
Prune Peddlers, Inc.	equip grocery store	Whitefish	650,130	737,500	625,000	2	10	11.68%	Funded
Charles and Marcella Bishop	office building	Polson	180,648	238,240	161,500	2	20	12.29%	Funded
Steven and Sara Black Welder	school building	Kalispell	76,105	94,320	72,000	2	20	11.83%	Funded
HCP Corporation	retail building	Billings	564,730	644,000	83,000	2	20	11.93%	Funded
New York Block Partnership	office & retail building	Helena	667,800	1,093,100	120,000	2	20	11.95%	Funded
Glenn Dyck	retail building	Whitefish	274,162	315,776	260,000	2	15	12.09%	Funded
William Davies and Griffith Davies III	steel building	Missoula	0	654,337	437,900	2	20	12.12%	Retired Bonds
Anderson Development	office building	Helena	386,900	522,900	365,000	3	20	N/A	Committed

EBR - Effective Borrowing Rate

1 - Sold Dec. 20, 1984, \$3.65 million

2 - Sold Oct. 17, 1985, \$4.925 million

3 - Available for next bond issue



# MONTANA

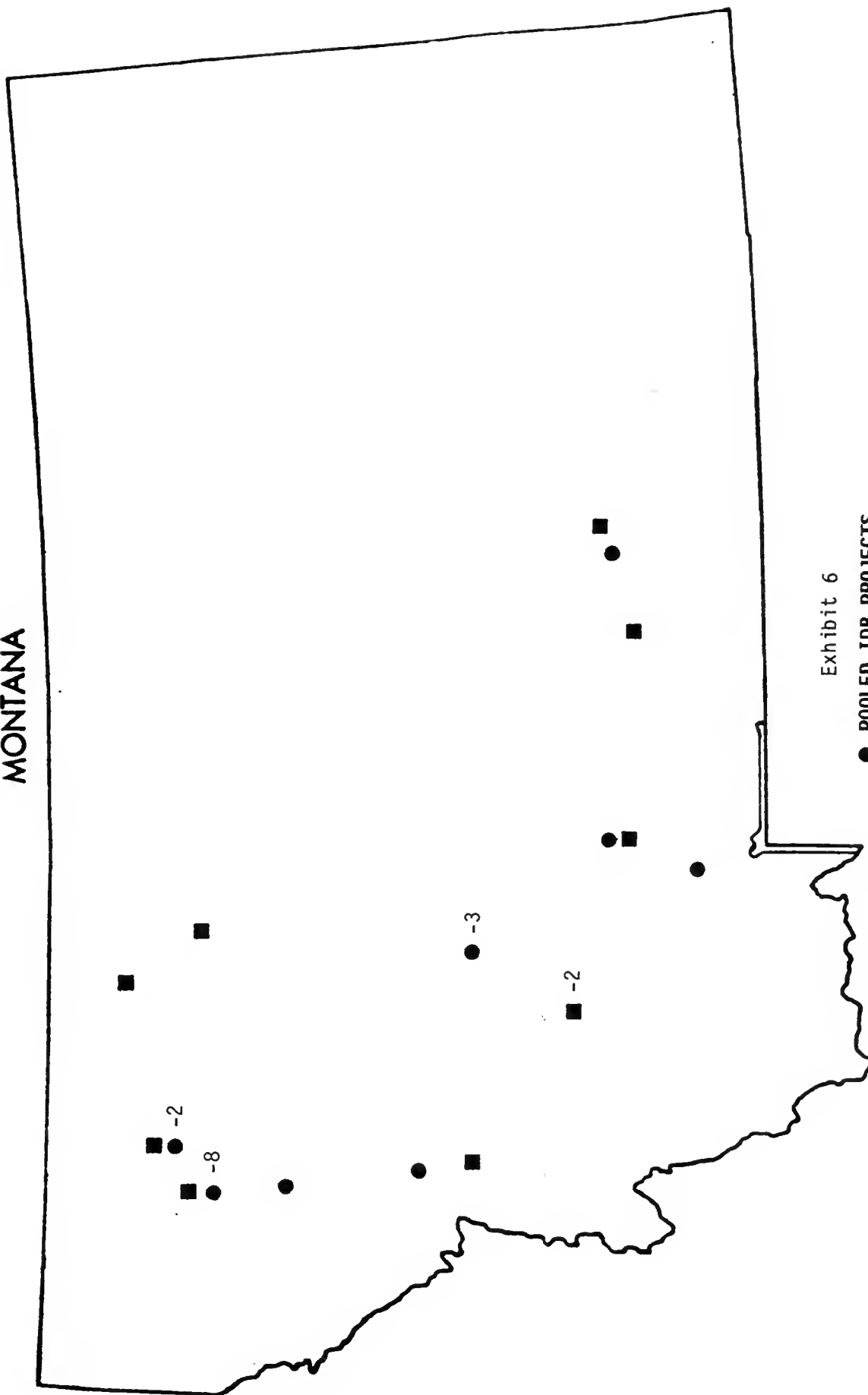


Exhibit 6

- POOLED IDB PROJECTS
- STAND-ALONE IDB PROJECTS





# Exhibit 7

## STAND-ALONE INDUSTRIAL DEVELOPMENT REVENUE BOND PROGRAM

BORROWER	PROJECT DESCRIPTION	PROJECT LOCATION	TOTAL PROJECT (approx.)	LOAN AMOUNT	6-30-86 STATUS
Butler Creek Corporation	manufacturing plant	Bozeman	350,000	350,000	Funded
Farmers Union Central Exchange, Inc. (CENEX)	pipeline	Cut Bank	5,600,000	3,925,000	Funded
Montana Progress Limited Partnership I, II, III	motel motel motel & restaurant	Columbus Conrad Butte	5,000,000	5,000,000	Funded
Wintersports, Inc.	ski resort	Whitefish	3,200,000	3,200,000	Funded
Western Equities Group	manufacturing	Stevensville	12,125,000	4,500,000	In Process
Rivendell of Montana, Inc.	46 bed youth hospital	Butte	6,722,000	6,200,000	Induced
Rivendell of Montana, Inc.	teen treatment center	Billings	5,508,000	5,000,000	Preliminary Induced
Immanuel Lutheran Home	home for elderly	Kalispell	7,000,000	7,000,000	In Process



## Exhibit 8

## Summary of MCAF Participants

Fiscal 1986

Local Government Units	Notes Purchased By Board	Estimated Interest Rate	Average Loan Balance	Effective Interest Rate
Anaconda/Deer Lodge, Consolidated City-County	\$580,847	.0775%	---	---
Boulder Elementary School District #7	96,839	.0000	\$45,918	5.43%
Bozeman, City of	700,000	5.5483	---	---
Bridger Elementary School District #2	183,635	.0000	34,808	1.69
Bridger High School District #2	146,050	.0000	---	---
Butte/Silver Bow, Consolidated City-County	2,121,700	.0000	338,619	.52
Cascade County	2,623,232	2.7970	794,339	4.02
Chinook, City of	70,601	.5270	---	---
Columbia Falls, City of	188,262	3.3487	---	---
Ennis, Town of	156,868	.0000	---	---
Fergus County	258,364	.0000	---	---
Glacier County	810,000	3.7348	---	---
Glendive, City of	96,000	.0000	---	---
Helena, City of	1,129,610	.0000	52,438	0.00
Hill County	189,200	4.6756	---	---
Jefferson County	351,937	2.9136	23,897	0.00
Jefferson County High School District #1	324,479	1.5723	74,581	2.79
Kalispell, City of	135,878	4.7325	---	---
Lewis and Clark County	375,412	.0000	22,315	0.00
Lewistown, City of	248,643	1.4330	69,781	3.72
Madison County	489,351	4.0906	---	---
Malta, City of	143,208	3.7198	28,299	1.95
McCone County	178,360	4.3362	---	---
Miles City, City of	506,244	3.9521	333,551	6.12
Missoula, City of	1,780,000	.0000	---	---
Missoula County	2,622,574	2.8264	1,209,164	5.36
Ravalli County	375,319	4.9595	66,301	1.24
Winnett School District #1 and #159	16,167	1.7581	---	---
Yellowstone County	250,000	3.6477	179,452	6.28
TOTAL	17,148,780		Average	Rate 2.80%



# MONTANA

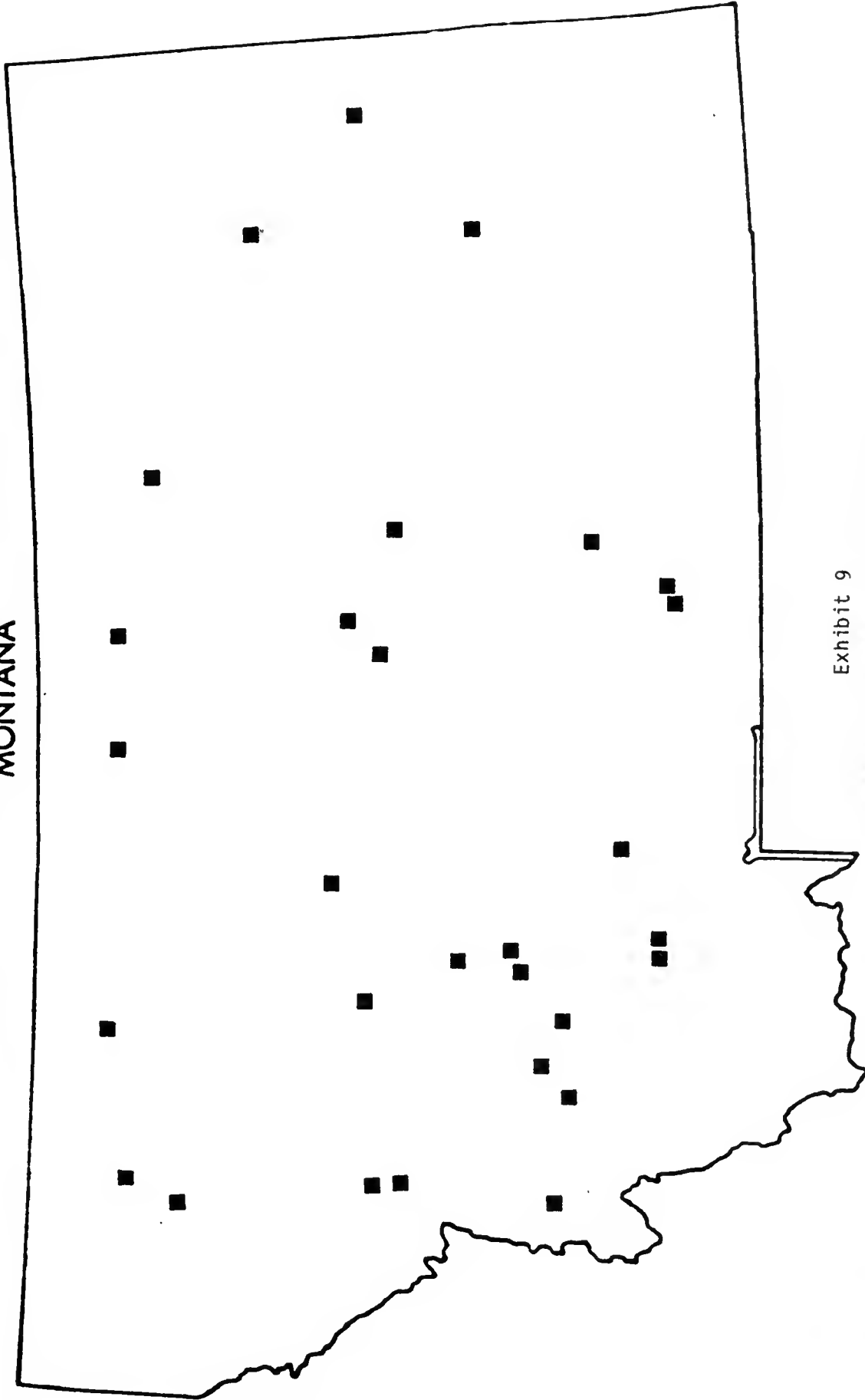


Exhibit 9  
MCAF PARTICIPANTS - FISCAL 1986





# Exhibit 10

## Summary of MCAF Participants

(Estimated Fiscal 1987)

<u>Local Government Units</u>	<u>Estimated Notes Purchased by Board</u>	<u>Estimated Interest Rate</u>
Anaconda/Deer Lodge County	\$560,558	2.4671%
Basin Elementary School	10,618	1.2551%
Boulder Elementary Schools	154,774	2.9006%
Bozeman, City of	1,036,827	6.0979%
Bridger High School	87,414	0.0000%
Bridger Elementary School	77,374	0.0000%
Butte-Silver Bow, City of	3,175,252	3.9624%
Butte-Silver Bow Elementary School	2,219,676	0.0000%
Butte-Silver Bow High School	1,931,346	4.7350%
Cascade County	2,819,316	5.1863%
Chinook, City of	93,400	2.8955%
Custer Public Elementary Schools	155,490	4.9196%
Custer Public High Schools	104,955	2.7392%
Daniels County School District	2,200	4.1909%
Fergus County	405,323	1.4565%
Fort Peck, Town of	67,240	5.6073%
Glacier County	694,300	5.7179%
Glendive, City of	34,300	1.0914%
Helena, City of	335,967	3.6644%
Jefferson County High Schools	269,348	3.9524%
Lewis & Clark County	811,835	5.0985%
Lewistown, City of	291,127	4.2174%
Lolo School District #7	56,472	6.4783%
Madison County	81,343	5.8961%
Malta, City of	82,075	5.1480%
Malta Elementary School	259,366	0.2499%
Malta High School	216,949	0.0366%
Miles City, City of	500,702	5.0380%
Missoula, City of	1,500,000	2.1825%
Missoula County	3,493,128	5.2909%
Ravalli County	256,000	6.3094%
Red Lodge	93,818	4.0362%
Richland County	80,856	2.3438%
Savage High Schools	32,320	0.0000%
Seville Public Grade School	17,449	5.5614%
Treasure County	9,000	4.8115%
Winnett Elementary Schools	57,079	0.0000%
Yellowstone County	1,444,250	4.1467%
TOTAL	\$23,519,447	
AVERAGE RATE		3.2850%



Exhibit 11

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